

Message Text

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TAGS: GATT, ETRD, PE

SUBJECT: GATT BALANCE OF PAYMENTS COMMITTEE: CONSULTATIONS
WITH PERU

SUMMARY. AFTER MONTHS OF DELAY PERU TURNED OUT TO BE
COOPERATIVE DURING BALANCE OF PAYMENTS CONSULTATIONS. IMF
STATED PERU'S RESRICTIONS JUSTIFIED IN LIGHT CURRENT
DIFFICULTIES. PERU INDICATED WILLINGNESS EVENTUALLY
RELAX NTBS AND PLACE MORE RELIANCE ON TARIFFS TO CONTROL
IMPORTS. END SUMMARY

1. GATT BOP COMMITTEE MET NOVEMBER 17 AND 18 TO HOLD
CONSULTATIONS WITH PERU. PERU WAS REPRESENTED BY LOPEZ
DE CASTILLA, MINISTRY OF COMMERCE; MORALES-BERMUDEZ,
CENTRAL RESERVE BANK AND CARLOS HIGUERAS AND CARLOS CHICHIZOLA
OF PERUVIAN MISSION, GENEVA. PERU ONLY AGREED TO CONSULTATIONS
AFTER
MONTHS OF FOOT-DRAGGING AND DELAYS IN DOCUMENTATION.
HOWEVER, DURING CONSULTATIONS PERUVIAN REPS WERE CO-
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OPERATIVE AND RELATIVELY FORTHCOMING. U.S. WILLINGNESS

TO INDICATE IN ADVANCE QUESTIONS WAS APPRECIATED AND SET POSITIVE TONE FOR CONSULTATIONS.

2. IMF ORAL REPORT NOTED THAT 1974 DEFICITS IN TRADE AND SERVICES ACCOUNTS MORE THAN COMPENSATED BY NET OFFICIAL CAPITAL INFLOWS, INCREASED FOREIGN PRIVATE INVESTMENTS AND LARGE SHORT-TERM CAPITAL INFLOWS ASSOCIATED WITH PRIVATE SECTOR IMPORT FINANCING MECHANISMS. HOWEVER, SUBSTANTIAL IMPORT GROWTH, STAGNANT EXPORT RECEIPTS, AND INCREASED INTEREST PAYMENTS ON EXTERNAL DEBT CREATED BALANCE OF PAYMENT PROBLEMS FIRST HALF 1975 THAT NECESSITATED CORRECTIVE MEASURES IN JUNE 1975. MEASURES SHOULD HELP RESTORE INTERNAL AND EXTERNAL EQUILIBRIUM. IMF CONCLUDED THAT IN VIEW PERU'S CURRENT DIFFICULTIES, RESTRICTIONS IN EFFECT DO NOT EXCEED THOSE NECESSARY TO PREVENT FURTHER DECLINE IN MONETARY RESERVES.

3. LOPEZ DE CASTILLA, WHO WAS PERU'S CHIEF SPOKESMAN, GAVE NEED TO ALLOCATE SCARCE FOREIGN EXCHANGE TO PRIORITY PROJECTS NECESSARY FOR DEVELOPMENT AS MAJOR REASON FOR EXISTING IMPORT RESTRICTIONS. THE SELECTIVE SUBSIDIZATION OF IMPORTS WAS DEEMED NECESSARY TO CONTAIN EFFETS EXTERNAL INFLATION. THESE SUBSIDIES ARE HOWEVER ONLY EXPECTED TO BE TEMPORARY. SEVERAL DELEGATIONS EXPRESSED CONCERN OVER HOW PERU WAS GOING TO SERVICE HER DEBT. LOPEZ IDENTIFIED THIS AS AREA OF PRIMARY CONCERN TO PERUVIAN AUTHORITIES WHO WOULD BE WILLING TO LIMIT IMPORTS IN ORDER TO MEET DEBT COMMITMENTS. FOREIGN DEBT HAD BEEN ALLOWED TO GROW IN ORDER TO FINANCE DEVELOPMENT PROGRAMS WHICH ARE EXPECTED TO PAY FOR THEMSELVES. PETROLEUM EXPORTS ARE EXPECTED IN 1977 TO HAVE A SIGNIFICANT EFFECT ON PERU'S BALANCE OF TRADE AND CURRENT ACCOUNT.

4. LDC MEMBERS OF COMMITTEE (CHILE, INDIA, URUGUAY) JOINED BY HUNGARY ALL SPOKE IN SUPPORT OF PERU WITHOUT ASKING ANY QUESTIONS.

5. PERU'S NEW TARIFF OF JAN. 1, 1975 WHICH INCORPORATED ALL PREVIOUS ADDITIONAL TAXES INCLUDING THE 10 PERCENT SURCHARGE AND 2 PERCENT STATISTICAL TAX WAS WELCOMED. LIMITED OFFICIAL USE

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DISPUTE BETWEEN EC AND PERU OVER POSSIBLE MODIFICATIONS OF BINDINGS OF PERU'S SCHEDULE 35 AND COMMITTEE'S COMPETENCE DISCUSS THIS MATTER RESOLVED BY PERU'S PROMISE TO CONSULT WITH THE GATT SECRETARIAT ON MATTER.

6. IN RESPONSE TO U.S. QUESTION ON WHEN PERU INTENDED RELAX NON-TARIFF RESTRICTIONS, PERU SAID SUCH A CHANGE WAS A LONG RANGE GOAL WHICH WOULD HAVE TO BE GRADUAL

AND DEPEND ON ECONOMIC SITUATION. PERU ALSO GAVE ASSURANCES THAT MANY OF THE NTBS WERE TRANSITIONAL AND TEMPORARY.

7. A NUMBER OF QUESTIONS WERE ASKED ON PERU'S METHODS OF RESTRICTIONS SUCH AS PROHIBITIONS LIST, NATIONAL REGISTER, MINIMUM AND MAXIMUM PRICES AND STATE TRADING ORGANIZATIONS. PERU NOTED THAT PURPOSE OF PROHIBITION LIST WAS TO DIVERT DEMAND FROM IMPORTS TO DOMESTIC PRODUCTS AND ENCOURAGE NATIONAL INDUSTRIES. LIST IS FLEXIBLE IN THAT EXCEPTIONS CAN BE MADE WHERE THE NEED FOR IMPORTS ARISES AS HAS OCCURRED IN THE CONSTRUCTION INDUSTRY. NATIONAL REGISTER ALSO JUSTIFIED ON THE GROUND OF PROTECTING INFANT INDUSTRIES. IT IS ALSO ADMINISTERED IN A FLEXIBLE MANNER. IF DOMESTIC PRODUCTS ARE NOT PRODUCED IN SUFFICIENT QUANTITY OR QUALITY, THEN IMPORTS ARE ALLOWED.

8. PERU DID NOT GIVE ANY INDICATION OF RELAXING NON-TARIFF BARRIERS THAT DISCRIMINATE IN FAVOR OF ANDEAN PACT AND LAFTA MEMBERS EXCEPT TO THE EXTENT THAT THIS OCCURS AS PART OF LONG RANGE PLANS TO SHIFT FROM RELYING ON NTBS TO CONTROL IMPORTS TO RELYING ON TARIFFS.

9. PERU SAID THAT HER TRADE WITH HUNGARY AND POLAND WAS NEARLY COMPENSATORY WHEN ASKED IF TRADE ACCOUNT WITH THESE COUNTRIES IN SURPLUS OR DEFICIT. PERU STRESSED THAT HER AGREEMENTS WITH THESE COUNTRIES INVOLVED PERU'S TRADITIONAL EXPORTS AND THAT WORLD PRICES AND THE QUALITY OF GOODS WERE IMPORTANT FACTORS IN DETERMINING WHAT WAS TRADED.

10. IN CONCLUDING THEIR REVIEW, COMMITTEE EXPRESSED LIMITED OFFICIAL USE

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UNDERSTANDING OF PERU'S BALANCE OF PAYMENTS AND DEVELOPMENT PROBLEMS. IT TOOK NOTE OF THE IMF'S FINDING THAT FOR TIME BEING PERU'S RESTRICTIONS WERE NOT IN EXCESS OF THOSE NECESSARY TO PREVENT FURTHER DECLINE IN RESERVES. IT ALSO NOTED THAT DEVELOPMENTS IN PETROLEUM, PHOSPHATE AND COPPER INDUSTRIES COULD BE EXPECTED TO CONTRIBUTE TO IMPROVING PERU'S BALANCE OF PAYMENTS. DALE

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